



Missouri Department of Elementary and Secondary Education

— Making a positive difference through education and service —

May 20, 2002

TO: School District Administrators

FROM: Gerri Ogle, Associate Commissioner, Administrative and Financial Services
Dale Carlson, Director, School Finance
Tom Quinn, Director, School Governance

RE: May Financial Information

Enclosures

The following documents are included in this envelope if applicable to your district:

Payment Sheets
Basic Formula Calculation
Students Eligible for Free or Reduced Lunch-Edit Form
2001-02 Audit Schedule of Selected Statistics
Revenue Object and Expenditure Function Code Changes

Prior Year (2000-01) Proration Factor - Basic Formula Adjustment

Each year the prior year apportionment is recalculated from November through the following June. Therefore, the amount per eligible pupil (EP) for 2000-01 will be recalculated each month from November 2001 through June 2002. There will likely be prior year corrections in each of the remaining months of the 2001-02 payment year due to continued data corrections which change the 2000-01 Line 1B proration factor. Only districts with a 2000-01 Basic Formula tax rate greater than \$2.75 are affected by the reduction in the Line 1B proration factor. A detailed explanation for the prior year apportionment recalculation was provided in the November 2001 memorandum. The 2000-01 Line 1 proration factor has decreased from the June 2001 factor as follows:

	PRORATION FACTOR	
	<u>Line 1A</u>	<u>Line 1B</u>
November 2001 Recalculation of the 2000-01 Proration Factor:	1.00000000	0.98007406
December 2001 Recalculation of the 2000-01 Proration Factor:	1.00000000	0.97975612
January 2002 Recalculation of the 2000-01 Proration Factor:	1.00000000	0.97969198
February 2002 Recalculation of the 2000-01 Proration Factor:	1.00000000	0.97944451
March 2002 Recalculation of the 2000-01 Proration Factor:	1.00000000	0.97964900
April 2002 Recalculation of the 2000-01 Proration Factor:	1.00000000	0.97937022
May 2002 Recalculation of the 2000-01 Proration Factor:	1.00000000	0.97929471

Current Year (2001-02) Proration Factor

The proration factor used on Lines 1 and 14 in the May 2002 Basic Formula and Line 14 calculation was 1.00000000. This factor has not changed during the year and is anticipated to remain at 1.00000000 or nearly 1.00000000 through June 2002.

Students Eligible for Free or Reduced Lunch-Edit Form

The February 2002 Core Data cycle included the collection on Screen 15 of the students eligible for free or reduced price lunch as documented through the application process and/or through the direct certification process. Enclosed is the Students Eligible for Free or Reduced Lunch-Edit Form. Please review and follow the instructions on the form. Return the signed form with any needed revisions to School Finance by **May 31, 2002**. The criteria for each type of free or reduced price lunch eligible student count are:

Federal Programs Head Count of Free or Reduced Lunch Eligible Students

- Report the head count taken on January 30, 2002 of children ages 5-17 inclusive (as of October 1, 2001) who reside in the district, whose eligibility for free or reduced lunch is documented (through the application process using federal eligibility guidelines or through the direct certification process) and who do not attend a private or parochial school.
- Report students on a head count basis. (Both part-time and full-time students are counted as 1 in the head count process.)
- Eligible students are counted regardless of whether or not they actually eat lunch/breakfast.
- Students are reported by their county of residence. (Desegregation students are counted by the district in which the student resides.)

SB 380 FTE Resident Free or Reduced Lunch Eligible Students

- Report the full-time equivalency count of resident students enrolled in grades K-12 on January 30, 2002 and in attendance at least one of the 10 preceding school days whose eligibility for free or reduced lunch is documented (through the application process using federal eligibility guidelines or through the direct certification process). (Desegregation students are considered residents of the district in which the students are educated.)
- Report eligible students on a full-time equivalency (FTE) basis. A student attending one-half day is counted as .5, one-fourth day as .25, etc.
- Eligible students are counted regardless of whether or not they actually eat lunch/breakfast.
- Nonresident students are to be counted by the district which pays the tuition for those students and are reported as "Resident II Students".
- Do not count students for whom the Department does not distribute state aid. (Students in preschool, the Parents as Teachers Program or state schools are not counted for state aid purposes.)

National School Lunch Count of Free or Reduced Lunch Eligible Students

- Report on the monthly lunch claim for food service reimbursement the highest number of students eligible for free or reduced price lunch during the month being reported.
- Report students on a head count basis. (Both part-time and full-time students are counted as 1 in the head count.)
- Eligible students are those eligible for free or reduced price meals that have access to the lunch program. This eligibility would include PK students and students up to age 21 that are enrolled in a high school grade and are allowed access to the lunch program.
- Eligible students are counted regardless of whether or not they actually eat lunch/breakfast.
- Students are reported by the district in which they are educated.

2001-02 Audit Schedule of Selected Statistics

Enclosed is a copy of the 2001-02 Schedule of Selected Statistics that is to be included in the 2001-02 audit report. The district should keep this copy as a reference when it reviews the 2001-02 audit report prior to submitting the audit report to DESE. The district is encouraged to compare the information the auditor reported on this Schedule to the data the district submitted on Core Data, the Annual Secretary of the Board Report, or other reports and resolve any differences prior to submitting the audit report to School Finance.

Revenue Object and Expenditure Function Code Changes

Changes to the Missouri Financial Accounting Manual have been made throughout the past year to Revenue Object Codes and Expenditure Function and Object Codes. Some of these changes were effective for the current school year (2001-02) and districts were notified of these changes through past School Finance monthly memos. Included in this packet is a summary of those changes for the 2001-02 school year.

Revisions have also been made to the Revenue Object Codes and Expenditure Function and Object Codes for the 2002-03 school year (starting July 1, 2002). While these changes will be included in the revised accounting manual, a listing of these changes is included in this packet for your convenience. Please insure that all appropriate personnel receive a copy of these changes and that your accounting software is updated to reflect the deletions, additions or placement changes.

2001-02 Annual Secretary of the Board Report

The planned release date for the 2001-02 Annual Secretary of the Board Report (WEB application) is June 14, 2002. Access to the web pages will be the same as the 2000-01 process using assigned userid and password. Because the DESE payment file information will not be available until the last week in June (used in the ASBR edit process) and the district's fiscal year does not end until June 30, districts will only be able to enter and save data to the web screens prior to July 1, 2002. Districts will not be able to "SUBMIT" a 2001-02 report until after July 1, 2002.

While no major structural changes are planned for the 2002 report, there will be several enhancements that should make the process go smoother than the prior year. Users should start watching the DESE application menu at <http://k12apps.dese.state.mo.us/webapps/logon.asp> on or about June 14 for program availability.

The 2001-02 Annual Secretary of the Board Report (ASBR) must be submitted on the WEB based format by the due date of midnight, August 15, 2002 or the September Basic Formula and Line 14 (Free & Reduced) payments will be held until October. Continued delay in submitting the ASBR will result in continued holding of the payment. Since the initial submission of this report impacts the district's state aid, do not delay submission waiting for required signatures or local board approval.

GTB/Line 1 Transfer

School Finance has received comments regarding the local board's responsibility when a transfer in excess of the "adjusted expenditure" is planned (assumes the GTB/Line 1 transfer amount exceeds the "adjusted expenditure"). In order to be eligible to transfer more than the "adjusted expenditure" amount, the district must have met certificated salary compliance (certain restrictions apply) in the prior year AND the board must pass a resolution, recorded in the minutes, with the following information:

- board approval of the transfer
- proposed project for which the money will be used (This should be a specific project(s), not simply referred to as "future projects".)
- estimated expenditure date

The board resolution must reflect this information each year a transfer above the "adjusted expenditure" amount is made.

2001-02 Budget Revisions

As the district completes the 2001-02 fiscal year, the district's budget should be reviewed and compared with actual expenditures. In reviewing district audit reports, auditors frequently cite budgets not in conformance with Chapter 67, RSMo. This generally involves a district's actual expenditures exceeding the budgeted expenditures for one or more funds. Other times a district's budget reflects more in expenditures than the beginning balance plus anticipated revenues (budgeted for a negative fund balance). Both of these situations are in violation of the budgetary requirements in Chapter 67, RSMo. *If the actual expenditures in a fund are expected to exceed the amount budgeted for that fund, the law requires that the budget be amended to increase the budgeted expenditure amount for that fund to equal or exceed the actual expenditure.* This type of amendment should be approved by the board before the expenditures that exceed the budget are approved. **Please note that this does not mean the district must amend the budget to reflect actual expenditures in all categories. Amending the district budget to actual expenditures limits the usefulness of the budget as a financial planning tool in future years.** Individual expenditure categories may be in excess of budgeted amounts, but the total expenditures by fund are not to exceed the budgeted amount.

If not currently doing so, the district might consider preparing quarterly comparisons of budget to actual reports as part of its financial oversight. This would assist in identifying potential problem areas and facilitate amendment of the budget document on a timely basis.

2002-03 Basic Formula Budgeting

HB 1711 has passed both the House and Senate and is awaiting the Governor's signature. This bill changed the definition of the Guaranteed Tax Base (GTB) calculation so that it is now the average of the assessed valuation per eligible pupil for the third and fourth preceding years multiplied by 2.167. **The GTB for FY03 will be \$139,507.** HB 1711 also averages the district's first and second preceding years assessed valuation on Line 2 of the Basic Formula calculation. For the FY03 Basic Formula calculation the assessed valuation reported by the county clerks for the 2000 and 2001 years will be averaged.

The FY03, budget passed by the House and Senate, includes \$110 million increase for the Basic Formula and Line 14. This could be increased to \$154 million if certain new revenue sources are found. At this writing, the House and Senate have not reached agreement on new sources of revenue. Therefore, an increase greater than \$110 million for FY03 is highly unlikely. At this point in time the certainty of the \$110 million increase is questionable. While there is the authority to spend the money, there may not be the money to spend.

DESE recommends districts continue to be conservative in 2002-03 Basic Formula and Line 14 revenue projections.

With HB 1711 and \$110 million increase the proration factors are estimated to be:

Lines 1A, 14A	.995
Lines 1B, 14B	.945

Lower proration factors may be used to compute a more conservative estimate.

Basic Formula Calculation Projection Program - WEB

School Finance has a Basic Formula Calculation Program on its WEB site under "School Finance Tools" located at: <http://www.dese.state.mo.us/divadm/finance/tools/>. The formula program has been modified to prorate Line 14 A & B in the same manner as Line 1 A & B are prorated. Districts should download version 3.4 of the Basic Formula Calculation Program for use in budget preparation and revenue projections.

School District Bond Fund

Recently, districts were informed that the amount available to reimburse the 2001-02 cost of issuing new or refinanced general obligation bond issues was reduced by the House from \$7 million to \$2 million. The Senate approved \$5 million. The final budget passed by the House and Senate set the amount at \$4 million. It is unlikely that any reimbursement on cost of issuance for bond issues refinanced during the 2001-02 year will be made.

2002-03 Proposition C Sales Tax Payment Projection

The 2002-03 Governor's budget request reflects projected Proposition C revenue at \$691,456,241. The 2002-03 payment eligible pupils (EP) for Proposition C, which are the prior year (2001-02) actual EP, are estimated at 875,000. Based on these data the 2002-03 estimated Proposition C payment is \$790.24 per EP ($\$691,456,241 \div 875,000$). However, at the current time it does not appear that the 2002-03 revenue will grow to \$691,456,241. A more conservative projection per EP is \$774 (the 2001-02 projection). Updated projections will be provided when new data become available. Economic factors and actual 2001-02 EP will affect this number. Be as conservative or optimistic as you choose.

2002-03 Fair Share Payment Projection

The 2002-03 Governor's budget request reflects projected Fair Share revenue at \$22,929,326. The 2002-03 payment average daily attendance (ADA) for Fair Share, which is the prior year (2001-02) actual ADA, is estimated at 860,000. The 2002-03 estimated Fair Share payment is \$26.66 per ADA ($\$22,929,326 \div 860,000$). Economic factors and actual 2001-02 ADA will affect this number. Be as conservative or optimistic as you choose.

2002-03 Free Textbook Payment Projection

The 2002-03 Governor's budget request reflects projected Free Textbook revenue at \$74,225,850. With a projected September 2001 membership of 900,000, the 2002-03 estimated Free Textbook payment is \$82.47 per September 2001 FTE membership ($\$74,225,850 \div 900,000$). Economic factors and actual September 2001 FTE membership will affect this number. Be as conservative or optimistic as you choose.

State Assessed Railroad & Utility Calculation - Reminder

Two Excel spreadsheet calculations have been added to the School Finance WEB page:
<http://www.dese.state.mo.us/divadm/finance/index.html>

These spreadsheets may be found by clicking on the button called "Finance Tools". One spreadsheet is designed to help counties apportion the state assessed railroad & utility revenue by fund and is constructed following the format of the DESE provided pamphlet entitled *A School Administrator's Guide to the DISTRIBUTION OF SCHOOL MONEY FROM STATE-ASSESSED RAILROADS & UTILITIES*. The second spreadsheet is provided for school districts to use when estimating the amount used on the SAO Form A, Line 19, *Estimated Current Year Revenue from State Assessed Property (before reductions)* to calculate the district's tax rate ceiling. School districts will need to acquire anticipated new year tax levy information from all districts in the county in order to use this calculation. These financial tools are provided to help district and county staff work through the various state assessed calculations. Use of these tools does not reduce the district or county responsibility to ensure the accuracy of the individual calculations.

Enrollment, Membership, and Attendance Reporting for Students Attending Districts Outside Their District of Residence

District Paid Tuition - When the district of residence pays another district full tuition, the district of residence (domicile district) will report membership and attendance but not enrollment for that student. The district receiving the tuition and educating the student will report non-resident enrollment only for that student. Such students are reported as Resident II students by the district of residence. The district educating the student must provide attendance and membership data to the district of residence. The district of residence receives the state aid on this student and uses the state aid in paying the tuition.

Parent Paid Tuition - When a parent pays tuition for a student to attend another district, the district of residence (domicile district) will not report enrollment, membership or attendance for the student. The district receiving the tuition from the parent and educating the student will report non-resident enrollment only. Neither district will receive state aid on this student.

Local Effort - When a district pays local effort only (as opposed to full tuition) to another district for a student attending that district, the district paying the local effort will not report enrollment, membership or attendance for that student. The district receiving the local effort payment and educating the student will report enrollment, membership and attendance hours as a resident student. The district educating the student receives state aid for this student.

Cash Management for Federal Funds - Reminder

The Department of Elementary and Secondary Education is required by the federal government to inform its subgrantees of certain cash management requirements. The Department is to ensure that the district minimizes the time elapsing between the receipt of federal funds and the disbursement of those funds.

At the state level, there is a maximum of three days between receipt of federal funds and the distribution of those funds to the school districts. At the district level, however, the Department recommends that the time between receipt and expenditure of funds be as small as possible. If the district does not ensure that federal funds are managed in this fashion the district could be subject to an audit exception by the district's independent auditor, which could result in interest due back to the federal government.

Questions concerning this issue may be discussed with the district's independent auditor.

SCHOOL GOVERNANCE

Support Staff Workshops

The February Finance Memo included information on and an application for the Plant Support Staff Workshops to be held this summer in five locations. It would be helpful, if your district plans to send staff to the workshops, to return the application as soon as possible. The workshop information is available on the web at

<http://www.dese.state.mo.us/divadm/govern/workshops.html>.

SCHOOL TRANSPORTATION

May Payment

Enclosed is a copy of the school district's May 2002 state transportation aid calculation (BU110) for the 2001-02 payment cycle. This calculation is based on the 2000-01 school year data taken from state transportation aid documents and the Annual Secretary of the Board Report (ASBR). The percent of reduction to the calculated entitlement computed for the May 2002 payment is 8.683434%. This reduction percentage fluctuates from month to month as revisions are made to individual school district data. If you are using the transportation aid calculation computer program or the Excel spreadsheet the May 2002 state constant for the A factor is 2.078205 and the B factor is 1.459159.

Placement of Transportation Revenue in the Capital Projects Fund

No transportation revenue may be recorded as a receipt in the Capital Projects Fund in the 2001-02 fiscal year or in the next fiscal year (2002-03). This option was available for FY99, FY00, and FY01 based on the increase in transportation funding. No increase in transportation funding was approved for FY02 or FY03.

Certified School Bus Driver Instructors

A current listing of the certified school bus driver instructors is available on the School Transportation website at www.dese.state.mo.us/divadm/trans. This listing includes an expiration date for each instructor's certification. If you discover that an employee needs to be recertified this summer, the March 2002 School Finance mailing included information and registration forms for the summer certified school bus driver instructor workshops.

NHTSA Releases Crash Protection Research Report

A report regarding crash protection on school buses has been released by the National Highway Traffic Safety Administration (NHTSA). The report was released after extensive testing and research was completed on school buses and crash protection systems. The report states that compartmentalization still makes school buses one of the safest means of ground transportation. The report also explores the possibility of making changes to the federal safety regulations relating to height of seats, testing of lap/shoulder belts, and a possible change from lap belts to lap/shoulder belts in small buses.

A copy of the full report can be viewed by clicking on <http://www-nrd.nhtsa.dot.gov/departments/nrd-11/SchoolBus.html>. A press release summarizing the report can be viewed by clicking on <http://www.nhtsa.dot.gov/nhtsa/announce/press/index.cfm>.